

# CORRUPTION WATCH

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Mark Steward  
Director of Enforcement  
Financial Conduct Authority  
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11<sup>th</sup> December 2015

Dear Mr Steward

## **Investigation of individuals identified in the Serious Fraud Office's Deferred Prosecution Agreement with Standard Bank PLC**

We are writing to urge the Financial Conduct Authority to open an investigation into UK based individuals who were employed or are employed at Standard Bank PLC with regard to alleged failure to prevent bribery by Standard Bank PLC, which was the subject of the recent Deferred Prosecution Agreement (DPA) between the Serious Fraud Office and the Bank in question.

The FCA fined Standard Bank PLC £7.6 million in January 2014 for "*failing to comply with regulation 20 (1) of the Money laundering regulations and other regulations*". It is worth noting that while the Judge approving the DPA stated that the DPA and the FCA's regulatory action were "*different processes and not connected*", both actions relate to Standard Bank's failings with regard to enhanced due diligence procedures and Know Your Customer (KYC) rules specifically in relation to entities connected with Politically Exposed Persons (PEP).

From the DPA's agreed Statement of Facts between Standard Bank PLC and the SFO, it appears that key individuals who were or are employed by Standard Bank were involved in:

- Approving the inclusion of and payment to a third party in a transaction with no enhanced due diligence and correspondingly an apparent lack of oversight;
- Drawing up a collaboration agreement with the third party controlled by a PEP;
- Deliberately avoiding to provide details of the involvement of a third party to the compliance team within the organisation, thereby exposing the Bank to risk of prosecution for failure to prevent bribery under Section 7 of the Bribery Act;

- Deliberately avoiding to provide details of the involvement of a third party to institutional investors, thereby potentially misleading the market and breaching the US Securities Act of 1933.

At least one of the individuals involved in approving the third party involvement holds '*approved person*' status by the Financial Conduct Authority. We believe that the FCA must investigate whether this person meets the '*fit and proper*' test and has complied with the Statements of Principle both of which are required for such a status, given the evidence that has emerged from the Deferred Prosecution Agreement. Additionally, we believe that the FCA must investigate whether this individual was operating with any appropriate oversight, or whether individuals to whom he reported, who also hold '*approved person*' status, have failed to meet Principle 5 (ensuring an organisation is organised so it can be controlled effectively) and Principle 7 (ensuring an organisation complies with relevant regulations) of the Statements of Principle.

It is a matter of serious public concern and public confidence that where there have been significant institutional failings of the type described in the DPA's Statement of Facts, individuals responsible for those failings are held to account.

We look forward to hearing from you about our concerns.

A handwritten signature in black ink, appearing to read 'A. Feinstein', with a stylized flourish at the end.

Andrew Feinstein

Executive Director

Corruption Watch